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Supreme Court of the United States

SCA HYGIENE PRODUCTS AKTIEBOLAG, *et al.*,

Petitioners,

v.

FIRST QUALITY BABY PRODUCTS, LLC, *et al.*,

Respondents.

ON WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

BRIEF OF THE INTELLECTUAL PROPERTY LAW ASSOCIATION OF CHICAGO AS *AMICUS CURIAE* IN SUPPORT OF NEITHER PARTY

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QUESTION PRESENTED

Whether and to what extent the defense of laches may bar a claim for patent infringement brought within the Patent Act's six-year statutory limitations period, 35 U.S.C. § 286.

INTERESTS OF *AMICUS CURIAE*

The Intellectual Property Law Association of Chicago ("IPLAC") submits this brief as *amicus curiae* in support of neither party.[1,2,3,4] Founded in

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[1] Pursuant to Supreme Court Rule 37.6, no counsel for a party authored this brief in whole or in any part, no such counsel or a party made a monetary contribution intended to fund the preparation or submission of this brief, and no person other than *amicus curiae*, its members, or its counsel, made such a monetary contribution.

[2] In addition to the required statement of footnote 1, IPLAC adds that after reasonable investigation, IPLAC believes that (a) no member of its Board or Amicus Committee who voted to prepare this brief, or any attorney in the law firm or corporation of such a member, represents a party to this litigation in this matter, (b) no representative of any party to this litigation participated in the authorship of this brief, and (c) no one other than IPLAC, or its members who authored this brief and their law firms or employers, made a monetary contribution to the preparation or submission of this brief.

[3] Pursuant to Supreme Court Rule 37.3, Petitioners' counsel of record consented to the filing of this brief by filing a blanket consent with the Clerk. Respondents'

1884, the Intellectual Property Law Association of Chicago is a voluntary bar association of over 1,000 members who focus on the areas of patents, trademarks, copyrights, and trade secrets, and the legal issues they present. Located in Chicago, a principal locus and forum for the nation's authors, artists, inventors, scholarly pursuits, arts, creativity, research and development, innovation, patenting, and intellectual property litigation, IPLAC is the country's oldest bar association devoted exclusively to intellectual property matters. In litigation, IPLAC's members are split about equally between plaintiffs and defendants. Its members include attorneys in private and corporate practices, who appear before federal courts throughout the United States, as well as the U.S. Patent and Trademark Office and the U.S. Copyright Office. As part of its central objectives, IPLAC is dedicated to aiding in the development of intellectual property law, especially in the federal courts.

SUMMARY OF ARGUMENT

The equitable defense of laches in patent cases was articulated more than a century ago in *Lane & Bodley Co. v. Locke*, 150 U.S. 193, 201 (1893) ("Courts of equity, it has often been said, will not

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counsel of record individually consented to the filing of this brief.

[4] Although over 30 federal judges are honorary members of IPLAC, none of them was consulted or participated in any way regarding this brief.

assist one who has slept upon his rights, and shows no excuse for his laches in asserting them.").

Laches should remain a viable equitable defense against patent infringement claims, including within the six-year damages limitation period of 35 U.S.C. § 286. A decision upholding the patent law laches regime more recently articulated in *A.C. Aukerman Co. v. R.L. Chaides Construction Co.*, 960 F.2d 1020 (Fed. Cir. 1992) (en banc), as modified by the Federal Circuit's *en banc* decision in this case, does not conflict with the Court's recent decision in *Petrella v. Metro-Goldwyn-Mayer*, 572 U.S. ___, 134 S. Ct. 1962 (2014).

In *SCA Hygiene Products Aktiebolag v. First Quality Baby Products, LLC*, 807 F.3d 1311, 1331-32 (Fed. Cir. 2015) (en banc), the Federal Circuit adjusted the laches regime of *Aukerman* in patent cases to account for this Court's decision in *eBay v. MercExchange*, 547 U.S. 388 (2006), stating that equitable principles must be applied when considering the application of laches to bar injunctive relief. The regime as modified by *SCA Hygiene* will be referred to herein as the "*Aukerman* regime."

The *Aukerman* regime is based on a case-by-case analysis of the facts: if a defendant proves that a plaintiff has delayed filing suit for an unreasonable and inexcusable period from the time the plaintiff knew or reasonably should have known of its claim against defendant, and the delay has operated to the prejudice or injury of the defendant, the defendant may be entitled to a bar to pre-suit damages.

Although *Aukerman* has been interpreted to contain a *per se* bar to equitable relief, the Federal Circuit reversed this rule in its *en banc* decision in *SCA Hygiene*, which appropriately parallels the shift from a *de facto* rule favoring injunctions in patent infringement cases to the current four-factor test of this Court's decision in *eBay, supra*.

Laches should remain a viable equitable defense in patent cases because patent law is distinct from copyright law at least because patent infringement is a continuing tort not subject to the "separate accrual" rule that underpins the *Petrella* decision. Also, the copyright statute of limitations, which bars entire claims, stands in contrast to 35 U.S.C. § 286, which only presents a limitation on pre-suit damages in patent cases, not a statute of limitations to bar entire claims. The *Aukerman* regime follows rather than conflicts with *Petrella* in that it distinguishes laches from equitable estoppel and assigns different consequences to each.

In addition, the Court should endorse the equitable defense of laches in patent cases because maintaining this defense best protects the interests of patent owners, accused infringers, and the public. The *Aukerman* regime protects patent owners by allowing for post-filing and prospective legal relief absent other factors such as equitable estoppel. It protects accused infringers – a category which includes every type of entity that makes, uses, offers to sell, sells, or imports goods or services in the U.S. – by providing repose in appropriate circumstances of unreasonable and inexcusable delay. It protects the public interest by preventing a chilling effect on

commercialization of new technologies, which would occur if the Court abrogates the laches defense.

IPLAC brings to the Court's attention real-world experiences of patent owners and accused infringers. These experiences show that the *Aukerman* regime appropriately balances the interests of all stakeholders in the patent system. IPLAC hopes that the Court will consider these experiences and provide certainty in the current system rather than instability through unnecessary change of decades old precedent.

ARGUMENT

I. *PETRELLA* SHOULD NOT CONTROL THE OUTCOME OF THIS CASE BECAUSE PATENT LAW IS DIFFERENT FROM COPYRIGHT LAW

The Court's decision in *Petrella* should not control the outcome of this case. Rather, distinctions between patent law and copyright law render *Petrella* inapposite and weigh in favor of maintaining laches as an equitable defense to a claim of patent infringement even within the six-year damages limitation period of 35 U.S.C. § 286. *See Aukerman*, 960 F.2d at 1028. Specifically, the nature of patent infringement as a tort differs from that of copyright infringement; the patent statute's damages limitation differs from the copyright statute of limitations; and the proper application of laches in patent cases differs from the application of laches this Court reversed in *Petrella*.

A. Patent Infringement and Copyright Infringement Are Distinguishable as Torts.

While patents and copyrights are two forms of intellectual property, the respective statutory approaches to remedies for infringement are materially different. Two important differences between them militate against applying *Petrella* in this case. First, *Petrella* is inapposite because patent infringement is a continuing tort and therefore not subject to the "separate accrual" rule on which *Petrella* is based. Second, patent infringement can occur where the infringer has no notice of the patent, but *Petrella* relies in part on the requirement in copyright infringement suits to prove access to the copyrighted work and copying. Neither is required to prove patent infringement.

1. Patent Infringement Is a Continuing Tort and Is Not Subject to the "Separate Accrual" Rule on Which *Petrella* Is Based.

Petrella is inapposite to this case because patent infringement is not subject to the separate-accrual rule that attends copyright infringement. Rather, patent infringement is a continuing tort. *See Lane & Bodley*, 150 U.S. 193 (1893). Although *Lane & Bodley* was decided before the enactment of the six-year damages limitation in the patent statute, now codified in 35 U.S.C. § 286, that decision applying laches implicitly recognized the continuing nature of patent infringement, a finding that remains true today. *See Aukerman*, 960 F.2d at 1031 ("[L]aches has been viewed as a single defense to a continuing

tort up to the time of suit, not a series of individual defenses which must be proved as to each act of infringement, at least with respect to infringing acts of the same nature.").

In *Petrella*, the Court recognized that "the separate-accrual rule attends the copyright statute of limitations." 134 S. Ct. at 1969, n. 5; *id.* at 1979 (Breyer, J., dissenting) ("The 3-year limitations period under the Copyright Act may seem brief, but it is not. This is because it is a rolling limitations period, which restarts upon each 'separate accrual' of a claim.") (citation omitted). The Court expressly relied on the separate accrual rule in reversing the Ninth Circuit. *Id.* at 1973 ("Only by disregarding that feature of the statute, and the separate accrual rule attending §507(b) could the Court of Appeals presume that infringing acts occurring before January 6, 2006 bar all relief, monetary and injunctive, for infringement occurring on and after that date.") (citation omitted); *id.* at 1976 (Breyer, J., dissenting) ("Section 507(b)'s three-year limitations period, however, *coupled to the separate-accrual rule* avoids such litigation profusion.") (emphasis added).

Unlike copyright infringement, patent infringement is a continuing tort. *Lane & Bodley,* 150 U.S. at 200-201; *Aukerman*, 960 F.2d at 1031 (describing patent infringement as a continuing tort). In *Aukerman*, the Federal Circuit recognized that this Court has treated patent infringement as a continuing tort for over a century, citing *Lane & Bodley*, 150 U.S. 193 (applying laches in patent

infringement context, although preceding the 1897 passage of a six-year damages limitation statute).

The patent statute's time limitation on damages, 35 U.S.C. § 286, is entitled just that – "Time Limitation on Damages" – and implicitly recognizes the continuing nature of patent infringement. It is not a statute of limitations; it limits damages rather than barring entire claims (no bar is mentioned regarding equitable relief and post-filing damages). The patent statute contemplates a single act of infringement that may last longer than six years and sets a ceiling on the timeframe for recovery Thus, the inapplicability of the separate-accrual rule and the difference in the patent statute damages limitation distinguish *Petrella* from this case and necessitate a different outcome.

2. Patent Infringement Does Not Require Knowledge of the Patent; Copyright Infringement Requires Not Only Knowledge of the Copyrighted Work (Access), But Also Proof of Copying.

Petrella is also inapposite to this case because patent infringement is a strict-liability tort and may occur without any notice of the patent. *Commil USA, LLC v. Cisco Systems, Inc.*, 575 U.S. ___, 135 S. Ct. 1920, 1926 (2015). However, copyright infringement is an intentional tort requiring that alleged infringers "actually copied" the work. *See, e.g., Jorgensen v. Epic/Sony Records*, 351 F.3d 46, 51 (2d Cir. 2003). Further, the scope of protection provided by a patent may be unclear, creating room for different good faith interpretations by courts and

the parties, whereas the scope of copyright protection is largely self-evident. *See Petrella*, 134 S. Ct. at 1977.

Typical copyright infringers *know* they are infringing, but typical patent infringers do not have such knowledge.[5] Moreover, copyright infringers may protect their investments by gathering evidence of independent creation or by offsetting costs associated with exploiting the protected work. Thus, the risk of chilling innocent activity was infinitesimal in *Petrella*.

Conversely, businesses accused of patent infringement may have innocently invested huge sums in independent creation of a product or process, but evidence of such independent creation generally will not avoid liability unless the independent creation was prior to the patented invention. *See* 35 U.S.C. § 102(a). The end result is that an unreasonable patent owner, unlike a copyright owner, can place a patent on a shelf and watch a new industry or technology grow and thrive in the marketplace. Then, after potentially significant investments by industry members and technology users, the patent owner can choose to assert the patent against one or more members or users, or the entire industry or technology group. Without the defense of laches, there is no remedy for

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[5] Although copying may be implicated in patent infringement cases in the context of willful infringement, *see Halo Electronics, Inc. v. Pulse Electronics, Inc.*, 579 U.S. ___, 195 L. Ed. 2d 278 (2016), copying is not a required element of patent infringement.

the unreasonable and inexcusable delay in filing such patent cases, just a point when six years of past damages under § 286 may provide the highest reward to the patent owner. For example, a patent owner's unreasonable and inexcusable delay may deprive industry entrants of the opportunity to review the patent at an early stage and decide whether to develop other innovative technology to avoid the patent claim or obtain a license to practice the patented technology.

Thus, applying *Petrella* in this appeal would create substantial risks of chilling innocent activity because the equitable defense of laches in patent cases protects businesses that act under the belief their activity is innocent or believe patent rights will not be asserted unreasonably against them. *See infra* Section II(A)(3).

Patent infringement is a different kind of tort from copyright infringement. The logic this Court applied to an intentional, separately-accruing tort in *Petrella* does not apply to the continuing, strict-liability tort of patent infringement.

B. The Patent Damages Limitation Statute Is Distinguishable from the Statute of Limitations in Copyright Law.

Not only are patent infringement and copyright infringement qualitatively different torts, they are also governed by qualitatively different statutes: a damages limitation statute in patent law, and a statute of limitations – a complete time bar to a claim – in copyright law. The Court relied on the

specific copyright statutory scheme in deciding *Petrella*. The differences between the patent statute and the copyright statute is another reason *Petrella* is inapposite to this appeal: the former contains a damages limitation statute unconcerned with when the claim accrues; the latter contains a statute of limitations that reflects congressional judgment regarding timeliness of asserting claims once they arise.

1. Section 286 Is a Damages Limitation Statute Only; It Is Not a Statute of Limitations as in *Petrella* Because It Does Not Necessarily Preclude a Suit in Equity or Prospective Damages.

The patent damages limitation statute does not bar actions. *See* 35 U.S.C. § 286. It does not say "no suit shall be maintained." It only provides that "no recovery shall be had for any infringement committed more than six years prior to the filing of the complaint or counterclaim for infringement in the action." *Id.* Section 286 therefore stands in contrast to the copyright statute of limitations considered in *Petrella*, which bars entire claims. *See* 17 U.S.C. § 507(b) ("No civil action shall be maintained under the provisions of this title unless it is commenced within three years after the claim accrued.").

Section 286 highlights the continuing nature of patent infringement as a tort. See section I(A)(1), *supra*. It contemplates that infringement may have started more than six years prior to suit and continues through the date of suit. If section 286

were akin to the copyright statute of limitations, such a suit would be barred entirely. But the patent statute allows the action to go forward, limiting only the amount of claimant's potential recovery (damages) to six years prior to suit.

Nor does the section 286 limitation on damages bar suits in equity. For example, patent owners may be able to seek injunctive relief to prevent future conduct even though infringement began more than six years ago. A copyright holder cannot seek such protection after the three-year copyright statute of limitations period has expired because the entire claim is extinguished under 17 U.S.C. § 507(b).

In *Petrella*, this Court held that the three-year copyright limitations period reflected "Congress' judgment on the timeliness of suit" and "itself takes account of delay." 134 S. Ct. at 1967, 1973. The Court stated that laches as applied in *Petrella* allowed district courts to make judgments about the timeliness of copyright suits, but Congress had already made that judgment in the copyright context. *Id.* at 1975. But the 6-year damages limitation of the patent statute is not about timeliness of suits. It does not account for delay in filing a patent suit after a claim arises.

For example, in a case where a patent owner discovers infringement on the first day after the patent issues and takes no action for any range of days or years short of six years after patent expiration, section 286 is silent in both language and effect as to whether an action may be maintained.

Under section 286, the action could be maintained, even for an expired patent.

Unlike § 507(b), section 286 does not begin a countdown to a loss of the right to bring suit from the time when "the claim accrued." *See* 35 U.S.C. § 286. It merely reflects Congress' judgment as to what past period of years is subject to any recovery in a suit that a patent owner can freely file whenever he/she so chooses. Thus, maintaining a laches defense in patent cases to address unreasonable, inexcusable delay in filing suit does not conflict with any congressional judgment regarding timeliness in patent suits.

In sum, the rationale underlying *Petrella* – that Congress' judgment should supersede the courts' – is not implicated in the present appeal because of the differences between the copyright statute of limitations and the patent statute's damages limitation.

C. Patent Laches Is Distinguishable from the Copyright Laches That the District Court Applied in *Petrella*.

Finally, the proper application of laches in patent law is different from the application of laches that was reversed by this Court for Ms. Petrella's claims. Patent laches avoids the concerns raised in *Petrella*, rendering that case inapposite for yet additional reasons.

1. The *Aukerman* Regime Only Bars Pre-Suit Damages, Avoiding the "Use It or Lose It" Concern Raised in *Petrella*.

In *Petrella*, the district court dismissed the entire case on grounds of laches. 134 S. Ct. at 1978. By contrast, *Aukerman* teaches that patent laches may bar only pre-suit damages, allowing for equitable relief, post-filing relief and prospective legal relief in appropriate cases. 960 F.2d at 1028 (contrasting laches with equitable estoppel).

In *Petrella*, the Court sought to avoid a rule that copyright owners should "sue soon, or forever hold your peace." 134 S. Ct. at 1976. The *Aukerman* laches regime does not create such a rule. It does not require the patentee to hold his peace, except with respect to pre-suit damages, and only if laches is established. *Aukerman*, 960 F.2d at 1028. The Court's concern in *Petrella* that laches places too high a burden on rights-holders is therefore unfounded in patent cases.

2. The *Aukerman* Regime Preserves the Act/Omission Distinction of *Petrella* Which Distinguishes Between Laches (Which Bars Pre-Suit Damages) and Estoppel (Which Bars Whole Claims).

Another guiding principle of *Petrella* is that deleterious omissions of the rights-holder should not be punished as severely as harmful actions. 134 S. Ct. at 1977. The Court distinguished laches as a defense based on the failure of the rights-holder to

act, from equitable estoppel that is premised on the intentionally misleading acts of the rights-holder.

This distinction has long been a feature of patent law under *Aukerman*. Under the *Aukerman* regime, typically laches bars only pre-suit damages. 960 F.2d at 1028.[6] Although *Aukerman* has been interpreted to contain a *per se* bar on equitable relief, the Federal Circuit repudiated a *per se* rule in its *SCA Hygiene en banc* decision, which modifies *Aukerman* on this point. This shift appropriately parallels the shift from a *de facto* rule favoring injunctions in patent infringement cases to the current four-factor test of this Court's *eBay* decision.

Conversely, when a defendant establishes equitable estoppel, "the patentee's claim may be entirely barred." *Aukerman*, 960 F.2d at 1028. Thus, the Court may preserve the act-omission distinction raised in *Petrella* without disturbing the *Aukerman* regime.

In sum, *Petrella* should not control the instant case because it interprets law that is fundamentally different from the patent law implicated here. Patent infringement is a different kind of tort from copyright infringement; the torts are governed by

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[6] Laches could result in a *de facto* total bar to a patent infringement claim in cases where a patent owner has unreasonably and inexcusably delayed filing suit until after the patent term has expired. In those cases laches would be a potential bar to pre-suit damages, and no injunction or post-suit damages would be available because the patent had already expired.

different statutory schemes; and the *Aukerman* regime does not implicate the same concerns as the copyright rule of law from the Ninth Circuit that the Court rejected in *Petrella*.

II. LACHES AS APPLIED IN PATENT CASES UNDER THE *AUKERMAN* REGIME APPROPRIATELY BALANCES THE INTERESTS OF ALL STAKEHOLDERS IN THE PATENT SYSTEM

Maintaining the defense of laches in patent law does not conflict with *Petrella* or usurp congressional judgment. Accordingly, the Court is free to derive the appropriate application of laches in patent law. But the Court need not create a standard *ex nihilo*. Rather, the Court should endorse the equitable defense of laches under its own precedent and as applied in patent cases under the *Aukerman* regime. *See Lane & Bodley*, 150 U.S. 193; *accord Menendez v. Holt*, 128 U.S. 514 (1888) (treating trademark infringement as a continuing tort).

The *Aukerman* regime appropriately balances the interests of reasonable patent owners, accused infringers, and the public. Endorsing the *Aukerman* regime would provide certainty to reasonable patent owners with respect to how they can protect their patent rights. It also would provide needed repose to accused infringers in the face of unreasonable and inexcusable delay. Maintaining laches as a defense to patent infringement, even given the six-year damages limitation of § 286, also would protect the public interest by promoting technological and

scientific development in U.S. industries that might otherwise be chilled.

A. Accused Infringers Need Repose.

The Court should maintain laches as an equitable defense in patent cases because manufacturers, distributors, sellers, importers and end users of new technologies need the repose laches provides in the face of unreasonable and inexcusable delay. The class of accused infringers is very broad, comprising almost every economic actor in the stream of commerce. Many of these accused infringers receive and must respond to dozens of so-called "demand letters" alleging patent infringement each year. Having investigated and responded to allegations of infringement, entities accused of infringement should be entitled to a timely response from the patent owner or, failing such a response, to the repose the equitable defense of laches provides in patent cases.[7]

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[7] The problem of unreasonable patent owners making unfounded accusations of infringement and not following with infringement suits is widespread and well known. It was notorious even as far back as the late 1890s. *See* IPLAC (under previous name the "Patent Law Association of Chicago")'s Journal of Proceedings 1884-1900, at "Paper Read by Mr. Charles E. Pickard, November 11, 1899, on Threatening Circulars in Patent Cases," pages 311-319, available at https://babel.hathitrust.org/cgi/pt?id=mdp.35112104983228;view=1up;seq=7.

1. Any Entity That Makes, Uses, Offers To Sell, Sells or Imports a Product or Service, Including Those That Might Also Own Patents, Can Be Accused of Patent Infringement.

The class of accused infringers is much broader in patent law than in copyright law. Where copyright law generally proscribes only the activity of those who "copy" protected works, patent law's proscription against using, offering to sell, selling, and importing, in addition to making infringing products, brings a broad class of importers, distributors, end-users and customers, as well as manufacturers, within the scope of the patent statute. Moreover, because patents confer the right to exclude, not the right to practice the invention, even owners of patents covering the products being made or imported and/or methods being used can be accused of infringing other parties' patents.

Abrogating patent laches would affect the business practices of almost every entity that makes, uses, sells, offers to sell, imports, or (in some cases) exports a product or service, including those who own their own patents. Maintaining patent laches, conversely, protects the entire stream of commerce from unreasonable economic behavior. Accordingly, the Court should endorse the equitable defense of laches under the *Aukerman* regime.

2. Accused Infringers May Receive Dozens of Cease and Desist Letters Every Year; After Going Through the Time and Expense of Investigating the Claims and Underlying Patents, Accused Infringers Deserve Repose After Unreasonable Delay To Be Able To Invest in Their Businesses.

Accused infringers may receive dozens of letters threatening patent infringement every year. Investigating allegations in the letters can take up valuable time and resources that many accused infringers cannot afford. For example, a recent survey of small companies found "[t]he overwhelming majority of companies said that resolving the demand required founder time (73%) and distracted from the core business (89%); most experienced a financial impact as well (63%)." Colleen Chien, *Startups and Patent Trolls*, 17 STAN. TECH. L. REV. 461, 472 (2014). Once an accused infringer has invested those resources and responded to a demand letter, the accused infringer should be entitled to a reasonably timely response from the patent owner. And after a reasonable period of silence, that entity should be entitled to the repose that laches offers.

Businesses need the potential repose laches provides in order to invest in their businesses. For example, Company X[8] openly used encryption

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[8] IPLAC represents that this example is derived from a real-world example.

software to protect information on its website. X wrote on its website that it was using the encryption technology. Seven years later, Company Y sued Company X for patent infringement by its use of the encryption technology. Company Y's accusation was the first notice Company X received of the patent although the patent had already expired. Company X relied on laches as a defense to pre-suit damages, including with respect to the preceding six years. Company X made investments in its business and relied on the notoriety of those investments to alert potential patent-holders. Abrogating laches would expose Company X to liability although it acted innocently and responsibly, and it would reward the unreasonable patent holder who knew or should have known of the infringement from a diligent review of potentially infringing products or services but kept silent as to its rights during a substantial portion or even all of the patent term.

3. The Chilling Effect of Doing Away with Laches Would Harm the Public Interest Because It Would Discourage Investment in New Technologies.

In addition to the interests of patentees and accused infringers, the public interest is also best served by maintaining the *Aukerman* laches regime. The public benefits from the wide availability of new technologies. Bringing these technologies to market requires investment. The risk of incurring liability discourages such investment. Even under the current system, many small companies do not do business in the United States because of the threat of patent litigation. Chien, *supra* at 477 Abrogating

the equitable defense of laches would discourage investment in new technologies and consequently deprive the public of innovative products and services.

Another real-world example involves a Retailer A.[9] Although no infringement suit has ever been threatened or filed against it, many of its competitors who use certain website technology have been in patent lawsuits over the technology for several years, with many suits filed many months or even years after competitors began using the technology. Retailer A would like to invest in the latest website technology, but it was so concerned with a potential patent infringement suit, including a suit filed months or even years later, that it uses less robust technology. As a result, website costs are higher for Retailer A and its customers. In short, the public has been harmed.

By maintaining the equitable defense of laches and providing certainty as to how the defense should operate in patent cases, the Court has the opportunity to protect the interests of both patent owners and businesses that would like to invest in new technologies, which will benefit the public.

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[9] The names and types of companies and products/services have been changed in this example.

B. Patent Owners' and Potential Purchasers' Need for Certainty Does Not Require Abrogating the Laches Defense.

Maintaining the equitable defense of laches in patent law would not harm the interests of reasonable patent owners and potential purchasers of patents. Reasonable patentees have not suffered from the availability of the equitable defense of laches, but rather would suffer uncertainty from a new decision as to how laches will be applied. By endorsing the *Aukerman* regime, the Court can provide the certainty that reasonable patentees need in order to protect their investments. As the Court itself has stated, "[o]verruling precedent is never a small matter. *Stare decisis* . . is 'a foundation stone of the rule of law.'" *Kimble v. Marvel Entertainment, LLC*, 576 U.S. ___, 135 S. Ct. 2401, ___ (2015).

The Court should encourage early and robust communication between all patentees and accused infringers. Therefore, Amicus IPLAC respectfully submits that the *Aukerman* regime provides guidance to patentees and potential purchasers of patents need to reduce transaction costs in the enforcement of patent rights and best serve the constitutional mandate to promote progress in the technical arts.

1. The Court Can Prevent Forum Shopping by Giving Clear Guidance That Applies Nationally.

The national jurisdiction of this Court reduces the risk of forum-shopping that the Court sought to eliminate in *Petrella*. *See Petrella*, 134 S. Ct. at 1969. In *Petrella*, the Court recognized that one of the policies underpinning the copyright statute of limitations is to set a uniform national standard for the timeliness of infringement claims. *Id.* By giving clear guidance in this case, the Court can accomplish the same goal. Furthermore, because the Federal Circuit Court of Appeals also has exclusive appellate jurisdiction over patent cases, there is no risk that patent laches will be interpreted differently by different courts of appeals. The structure of the court system ensures the national uniformity this Court sought to ensure in *Petrella*. Accordingly, the Court can recommit laches to the sound discretion of the district courts under the guidance of the Federal Circuit without fear that divergent laches regimes will arise in different circuits as the law continues to develop.

2. Patent Owners and Purchasers Can Obtain Certainty from a Clear Understanding of How Laches Operates.

A clear statement by the Supreme Court that laches remains a valid equitable defense in patent cases and endorsing the *Aukerman* regime will provide patentees and potential purchasers of patents with the certainty they need to protect investments in intellectual property. Patent laches

does not unduly burden patent owners because they can simply and inexpensively avoid application of a laches defense by diligently giving notice to accused infringers and filing suit as necessary.

Patentees best protect themselves against laches by exercising diligence and communicating early and often with accused infringers. A demand letter should be the beginning of a conversation between the patentee and the alleged infringer, not a salvo that causes unnecessary expense and ignores legitimate responses. If circumstances arise such that the patentee wants to delay suit, the patentee need only say as much with reasonable frequency and provide its reasons for the delay. Such communications shift the onus to the accused infringers to develop a product or service that avoids the asserted patent, accept the risk of being sued, or bring a declaratory judgment action within a reasonable time.

Similarly, purchasers of patents can continue to protect themselves by investigating any communications between the original patent owner and alleged infringers. Laches, once it arises, cannot be avoided by assignment of the patent. *Eastman Kodak Co. v. Goodyear Tire & Rubber Co.*, 114 F.3d 1547, 1559 (Fed. Cir. 1997) (citing 5 Donald S. Chisum, Patents § 19.05(2)(a)(ii)(1995)). Accordingly, purchasers of patents will be more likely to exercise diligence in determining whether a laches defense might apply to patents they are interested in purchasing. It is not uncommon practice today for a diligent purchaser of patents to investigate the history of the patents in advance of

the purchase, so this should not add any new burden. By clearly delineating the laches defense in patent cases, this Court will also encourage patent owners to maintain records of correspondence, which will help avoid laches in the first instance.

This policy of encouraging communication serves the constitutional mandate to promote progress in the technical arts. Robust patent rights help spur innovation, in part, by encouraging businesses to design around patented inventions. But often businesses lack notice of the patents they may be infringing. This failure of information defeats the policy underlying the patent statute because the potential infringer is more likely to invent something similar to a patented invention than if he sets out to invent around a pre-existing invention.

Conversely. abrogating laches would encourage some unreasonable patentees to wait until competitors are locked into potentially infringing technologies for many years in order to extract the most lucrative damages awards or license agreements. Accordingly, the Court should encourage all patentees to engage potential infringers as early as possible in a dialogue about the scope of patent rights. Endorsing the *Aukerman* regime will serve that goal.

III. CONCLUSION

Laches is a beneficial component of patent jurisprudence, and it should not be eliminated. The laches jurisprudence of *Aukerman*, as modified by the *en banc* decision of the Federal Circuit in this

case, strikes an appropriate balance between the needs of patent owners and those of potential infringers and serves the public interest. Important differences between the copyright and patent systems make *Petrella* inapposite; *Petrella* provides no reason for the Supreme Court to disturb decades-old precedents regarding the equitable defense of laches in patent cases, which promotes commercialization of new technology in the United States.

Respectfully submitted,

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